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MARKETING & MEDIA DECISIONS

APRIL 1989 • \$4.00

CABLE'S NEXT MOVE/THE SCORECARD

IF YOU OWNED BURGER KING

AGE 'N' ADS

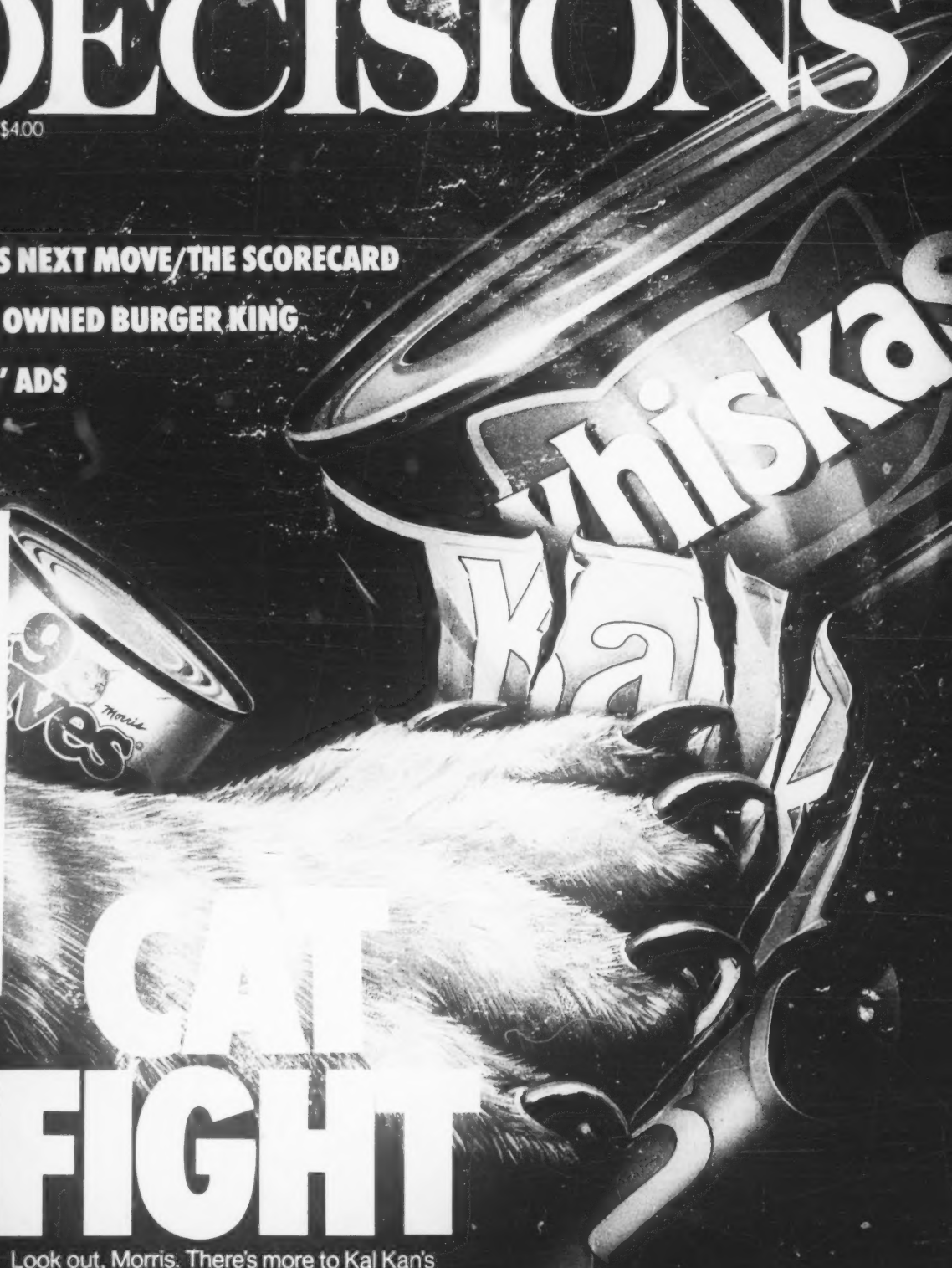
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CAT FIGHT

Look out, Morris. There's more to Kal Kan's
challenge than a simple name change.

Whiskas wants your turf.



MARKETING & MEDIA DECISIONS

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CAT FIGHT 42

Kal Kan thinks it's found the purr-fect global identity with its new Whiskas name, but in the process it has set the fur flying. Folly or cunning? That's up in the air. But Kal Kan's rivals have been sent scrambling to protect their turf.

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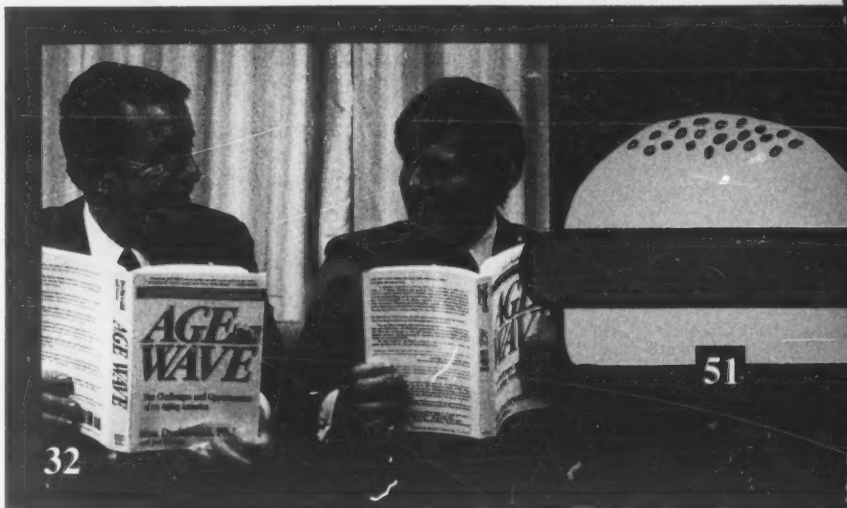
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FREEZE FRAME

by William Smith

THE LIGHTEST TOUCH

In the protracted struggle between cable and broadcast tv for blue-chip ad dollars, most anything can become a point of contention. Lately, their feud focuses on those who watch the least tv.

Workaholics, bookworms, people fed up with commercial media or those who just can't afford a tv set — tv researchers have tapped a variety of methods to figure out how to better reach this segment. Studies by ABC and CBS make a case for broadcast tv, while the Cabletelevision Advertising Bureau (CAB) issued a February report indicating that cable is best at reaching light viewers. Caught between reams of conflicting data are advertisers and their agencies. In fact, the research staff of J. Walter Thompson was so confused that they have compiled their own report on viewing of adults 18-plus, to be released this month.

Young, active, affluent, light view-

ers seem to be the ideal prospect for many key categories. But doubt remains as to whether they actually consume more than other viewing quintiles, each of which accounts for 20% of tv households. An educated lot, they are probably receptive to ads for travel and financial services, but packaged-goods clients find them a tough and costly sell.

Under current broadcast advertising weights, the lightest two quintiles receive only 12% of all gross rating points, while the lightest quintile receives only 3%. Hence, advertisers have to air lots of ads to reach light viewers. But researchers warn against cutting exposure to the heaviest viewers to reach the light ones.

"The best payoff is to reach 60% of the heavy viewers with efficient frequency," says Madeline Nagel, vice president of marketing for ABC. "Only after you've filled those objectives can you effectively

spend money to reach light viewers."

Meanwhile, the CAB claims that if advertisers put a third of their broadcast budget into cable, they will nearly double the frequency and triple the effective reach of the lightest quintile.

While Heinz places only 5% of its television budget in cable, media director Chuck Lanphear agrees that cable "represents an excellent opportunity to reach the

lowest quintile." Concers Marianna Reges, media manager for Bristol-Myers, "Cable television is definitely making a dent in the light viewer."

But while the CAB argues that the desirable demographics of light network viewers match cable's subscriber base, the networks say that heavy tv watchers subscribe to cable mainly to get better network reception. ABC and CBS argue that mixing cable with broadcast may improve frequency, but not reach. Rather than hitting the light viewer, they claim, cable actually hits the ad-weary heavy broadcast viewer.

"Advertisers have a choice," says David Poltrack, CBS vice president of planning and research. "They can add cable and reach 100 people ten times, or they can buy broadcast and reach 200 people five times." The CAB counters that frequency distribution curves are irrelevant in planning light broadcast viewers.

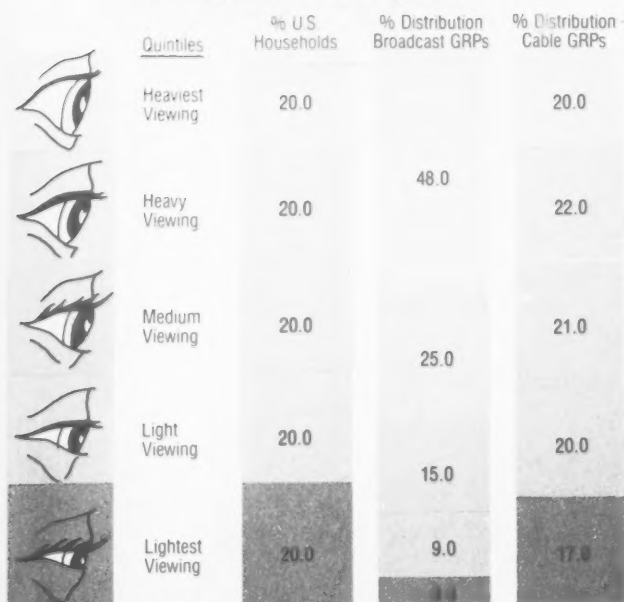
Meanwhile, agencies decry the media's "numbers mumbo jumbo." Says DDB Needham media director Page Thompson, "I have a problem with one medium or another making blanket statements and saying, 'Hey, we're reaching the light network viewer.'"

Instead, he says, agencies employ a costly, but effective tactical approach. By "cherry picking" programs with maximum impact and filtering through mundane shows, they can reach both heavy and light viewing segments.

Indeed, the Olympics reached plenty of light viewers, as did CBS' *Lonesome Dove*. And according to ABC's Nagel, 26% of network news ratings come from the lightest two quintiles, double the average for broadcast programming. On cable, A&E and CNN are considered effective light-viewer vehicles.

"The mass approach to media buying is going the way of the wagon," says Steve Greenberger, senior vice president of media research for Campbell-Mithun-Esty. "Unless you know that a specific program has impact, then you're shooting in the dark." ■

DISTRIBUTION OF BROADCAST AND CABLE GRPs BY QUINTILE



Source: Special NHI Tabulations, May 1988

CAT FIGHT

by David Kalish

It's enough to give even jaded pet-food marketers pause. Early this year, Kal Kan, one of the oldest names in American cat cuisine, threw the industry and consumers into a tailspin when its tins mysteriously disappeared from supermarket and grocery shelves. In its place, Kal Kan fans found similar-looking cans inscribed with an odd-sounding substitute: "Whiskas."

This abrupt switch comes at a particularly puzzling time. At best, name changes are hard to manage: They risk confusing — and losing — consumers. But this instance is even more hazardous for Kal Kan and its parent, Mars Inc. Kal Kan just finished a terrific year, coming within a whisker of toppling category leader 9 Lives. This was no easy feat in the contentious, \$880 million canned cat-food category, one of the few growth segments in the pet-food industry. Blue-chip marketers Mars, Heinz and Carnation last year poured an estimated \$45 million in ad dollars into the segment, a 20% increase over BAR/LNA's total for 1987. New ad campaigns were launched that put radical new twists on familiar icons like Morris the finicky cat, and product lines were revamped and new ones created.

Why then would Mars

pick such a tu-

multuous time, when things seemed to be going its way, to ditch a \$172 million brand name for a moniker that sounds like someone from Brooklyn trying to pronounce "whiskers"? "We're frankly a little baffled," confides a source at a major pet-food manufacturer, who actually was more delighted than confused. "One day you walk into the store looking for Kal Kan, and it's not there," adds Calvin Hodock, senior vice president of Comart Associates, a New York marketing consultancy. "There's got to be some sales erosion."

But Mars, a privately-held company known for marching to the beat of its own marketing drum, tosses off the criticism. Mars insists the U.S. introduction of Whiskas — a \$1 billion franchise, formerly only available in Australia, Canada, Europe and Japan — will enable the parent to realize tangible global advertising and media efficiencies. It argues the change to a global brand will eventually save the company cash and make marketing strategies more effective. The supposition is also, with Whiskas a hot item abroad, today's globe-trotting pet owners will be impressed by Whiskas' popularity and more predisposed to buying the brand when at home.

Rarely before has a packaged-goods manufacturer





tried to unify a worldwide pitch to a fickle target like cat appetites. When it comes right down to it, how can you market cat food worldwide when in some countries cats *are* food?

"This is a more unusual decision in a consumer category such as cat food than it would be in a business-to-business situation, where many people use industrial products on a worldwide basis," observes Stephen Greyser, professor of marketing and communications at the Harvard Business School. "It's arguable whether owners of cats move around the world."

Yet Mars is unperturbed. With the Whiskas brand sold throughout North America for the first time, Mars has already begun using similar promotional and advertising executions on both sides of the U.S.-Canada border. "We will think global and act local," declares Chris Green, marketing director for cat food at Kal Kan Foods in Vernon, Calif. "We will never show a French ad that was dubbed in the U.S. But if ad agencies and brand groups inside one

The fur's flying as a global repositioning of Mars' cat-food brand, number-two Kal Kan, arches the backs of its feisty rivals.

country were working with the same strategy and objective," he says. "it would be so much easier to talk to other countries and share our learning and successes." For example, if a media buy works well in Switzerland, aspects of the strategy may be transferable to a country with similar demographics and media.

Mars also maintains there are tangible benefits to be reaped right here in the United States. Mars strategists, before making their name-change decision in mid-1988, conducted focus groups and surveys that revealed consumers prefer the more feline-sounding Whiskas over Kal Kan, which traditionally was associated with dog food.

Still, the name switch clearly risks losing powerful brand loyalty for uncertain global returns. For starters, it would be exceedingly difficult to develop any sort of master media plan that could deliver reach and frequencies across international borders.

"Television is a highly developed media here," explains



COVER STORY



Rutman cites global obstacles.



Semsy foresees greater impact.

Charles Rutman, group media director and senior vice president of Backer Spielvogel Bates in New York. "But abroad in some countries newspapers are the primary advertising vehicle. To have one buy that affords some sort of equal average and impact across countries gets difficult."

Experts also question the wisdom of fixing something that ain't broke. The renaming comes after a year in which Kal Kan pawed mightily at 9 Lives' top-cat status. Nielsen figures show that Kal Kan ended 1988 with an 18.4% dollar share of the category, roughly the same as the previous year's. Yet 9 Lives' share dropped from 22.3% in 1987 to 20.6% last year. In fact, more consumers bought Kal Kan than any other canned cat food sold in the United States in the six months ended April 1988, Mediamark Research Inc. reports.

To stave off short-term sales erosion due to the name change, Mars has kept the Kal Kan name on the new package, though in dramatically shrunken lettering. Most of the old Kal Kan graphic elements, including the familiar cat mask, remain the same. In addition, in the early days of the roll out, the strikingly similar Whiskas package was stacked alongside cans of the old Kal Kan on the supermarket shelf.

Moreover, Mars budgeted an extra \$4 million this year to smooth things over, bringing the 1989 Whiskas ad budget to \$22 million. The bulk of that goes toward net-

work tv commercials that broke on Superbowl Sunday. "The cat food your cat prefers is now called Whiskas," spots soothingly suggest. Late-spring commercials will return to the testimonial ads of the Kal Kan era, with cat owners themselves declaring their pets' new preference for Whiskas.

For now at least, Mars seems to be on the right track: Nielsen figures for the four weeks since Whiskas was rolled out on January 1 show a 0.8% increase in dollar share from the previous period — a trick that was turned with the help of heavy promotion, yet occurred before the Whiskas ad blitz. It remains to be seen whether the initial advertising burst will be sustained long enough to convince consumers that only the name, not the contents, have changed. But Mars says that it is evaluating buying magazine and in-store ads to back up the network tv buy.

Despite the ad blitz, Mars may have a hard time rising above the predatory moves of competitors. Unlike most billion-dollar supermarket sections with two or three major contenders, cat food has half-a-dozen marketers that are betting the bank on the category.

There's a good reason why. Starting in 1984, the U.S. became a nation of cat lovers over dogs. But while more homes now have Kittys rather than Fidos, the overall pet population remains essentially stagnant. Nielsen reports that 1988 cat-food sales edged up 2.6%, trailed by dog-food growth of 2.3%.

But sales of canned cat food continue to be relatively tasty, spurred on by gourmet-style entries — the fastest growth segment of canned cat food — that cater to Americans' fancy for high-quality, single-serve portions. Usually served in three-ounce cans, these pricey, high-profit products rely on a simple proposition: Cats have tiny appetites, making their masters less sensitive to higher-per-ounce prices.

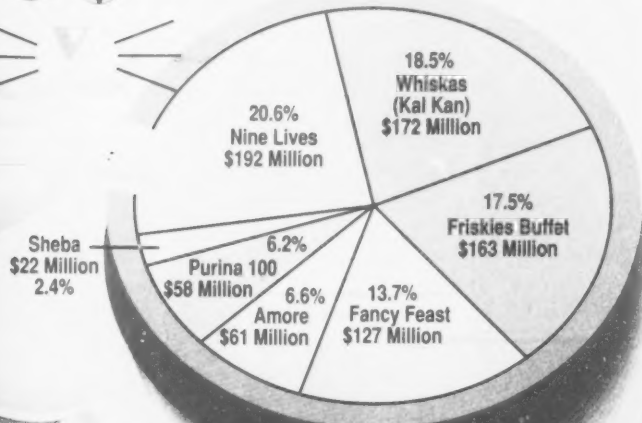
The result: Some of the biggest names in packaged goods are showing their claws. Star-Kist, seeking a bigger chunk of gourmet sales, this past fall unveiled a \$50 million revamp of 9 Lives, the canned leader in dollar sales and Kal Kan's chief competition. Formerly available only in the six-ounce size, 9 Lives now also comes in three-ounce and 13-ounce cans — an attempt to add single-serve connoisseurs and multi-cat owners to 9 Lives' customer base. Likewise, Whiskas, unlike Kal Kan, has a pull-top ring that appeals to the new generation of convenience-hungry cat owners.

But behind the larger-size 9 Lives can is a trend that Kal Kan has already cashed in on. The average number of cats per household edged up from 1.97 in 1982 to 2.1 in 1988, according to the Pet Food Institute. Kal Kan's 13- and 22-ounce cans have won the brand more users than 9 Lives among shoppers with two or more cats, Chicago's Information Resources reports.

"We realized there was an additional opportunity to

TOP CATS

Dollar sales and dollar shares of top canned cat-food brands, for 52-week period ending January 28th, 1989.



Source: A.C. Nielsen

JIM LUDTKE

capitalize on segments we weren't competing in," says Peter Bowen, general manager of cat-food marketing at Heinz Pet Products Co., which markets Star-Kist. Heinz was so gung-ho that it risked cannibalizing sales of its existing three-ounce ultra-gourmet Amore, which is ranked number five in canned cat-food sales.

Heinz asserts the makeover, backed by a sweeping print and television campaign that casts spokescat Morris in a less-sarcastic light, is the most expensive launched by a cat-food manufacturer. The ad budget was \$6.7 million for the first nine months of 1988, according to BAR/LNA.

The revamping of the \$192 million brand comes none too soon. Sales edged downward in 1988 and continued the slippage during the first four weeks of 1989, the period Whiskas was introduced. 9 Lives scratched out a 21.8% share of the canned category during that period, as opposed to its 22.7% growl for the previous month.

The competition clearly is fierce. Ralston Purina, whose biggest brand of canned cat food is the discount-priced Purina 100, continues to slash its prices on the six-ounce can. The roughly \$60 million brand is only marginally profitable, has no advertising backing and is ranked sixth in category sales. Yet Purina doesn't seem to mind: The strategy is to deplete rivals' war chests so that they will stay out of categories Purina is strong in.



his is doubtless prompting other canned manufacturers to engage in discounting that cuts into profits. About one-third of all canned cat food was bought on sale in 1988. "It's a very sensitive segment in terms of pricing, with companies usually offering two for \$1 or three for \$1," notes John Wohlen, space manager at Shaw's Supermarkets, a New England chain of 61 stores.

Purina may be taking potshots in canned, but it is launching full-scale invasions in other segments. The largest dry pet-food company in the United States, Purina introduced three new cat-food launches in 1988, including Tender Vittles Lite, the first diet cat food available through general merchandise outlets. Backing the semi-moist entry is a national "Tender Vittles Lite Fat Cat Contest" that has owners of fat felines competing for cash prizes.

Purina's first 1989 entry, Kitten Chow Dairy Formula, caters to consumers' concerns about animal health with a container shaped like a milk carton. But the novelty is already wearing thin — Carnation in February introduced Friskies Kitten Formula, also in a milk-carton-like package. The offensive goes beyond a spot tv, print and promotion buy; Carnation is donating free kits to veterinarians that include sample products, health record cards and a

Mars has already put its one-name strategy to the test with its dog food, Pedigree—and it worked.

booklet on cat care.

For its part, Purina is also sniffing out global horizons. Two years ago the St. Louis concern introduced its Chow line into Spain, with English words spelling out the brand name. Today, Purina claims its Chow is number-one in dry food in that country, "primarily because it was such an under-developed market,"

says a Purina spokesman.

And Carnation, which claims to have the most total sales in canned cat food with its Friskies Buffet and Fancy Feast, isn't sitting on its haunches either. New commercials for Fancy Feast, a pricy three-ounce product that was launched in 1982 as the first ultra-gourmet product, show cats enjoying such trappings as Persian rugs and Tiffany lamps. Carnation spent \$9.9 million to pitch the line in the first nine months of 1988, BAR/LNA reports.

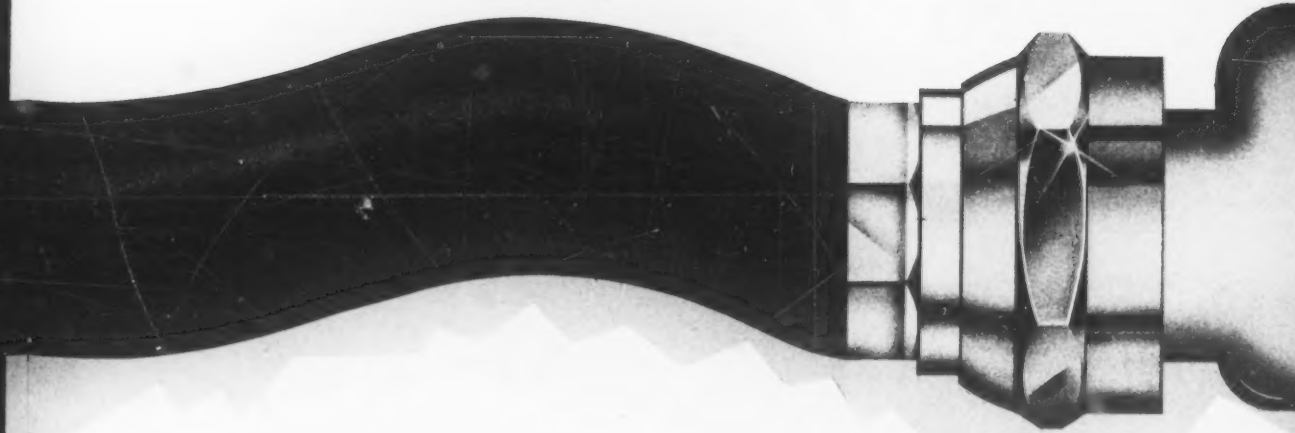
Yet while Mars upstaged the competition by risking Kal Kan's huge brand equity, the company is operating from experience: The name change is actually the second in as many years for Mars. In 1987 it renamed its Kal Kan canned dog food and Mealtime dry dog food, respectively, "Pedigree" and "Pedigree Mealtime," creating global brands in the process. And the latest figures indicate Mars may be onto something. Whereas Kal Kan canned dog food used to be number two in its category behind Alpo, new Nielsen data show, under the new label, it surpassed Alpo in 1988 dollar share 21% to 20.5%. The startling difference for the first four weeks of 1989: Pedigree leads 25.6% to 18.9%.

Experts add that if what worked for Pedigree works for Whiskas, the global branding trend can only accelerate. "For sure, it's a risk," reflects observer Arnie Semsy, executive vice president and worldwide media director at BBDO. "But the more consistent you become in the media approach and packaging, the more impact the message has to consumers."

Mars thinks it has that. "We're already starting to make use of global information in attuning [strategies] this year and next," Green notes. Using sophisticated computer technology, for example, Mars is borrowing data culled from overseas marketing programs to simulate test markets in the United States. Says Green of the company's new tools, "It is possible to insert all the variables." If Green is right, Mars' could become one very fat cat. ■



CABLE REACHES



Cable's quest for growth has led it into the arms of its non-cable rivals, often with agencies as matchmakers. Many media departments, however, are being left out in the cold.

by Joe Mandese

How to run your print ad on ESPN," reads the headline of a recent ad from the cable network promoting its new 2.1 million circulation magazine, *TV Sports*. Print ad? Cable network? Magazine? At one time, these would have sounded like strange bedfellows, but not any more. These days, just about every basic cable network is teaming up with non-cable media in an effort to add some pizzazz to their sales and marketing efforts.

After years of selling the virtues of cable vs. other media, the likes of Arts & Entertainment, CNN and USA Network are pairing with magazines, newspapers and even broadcast tv entities to offer complementary packages of cable and noncable media (see breakdowns on next page). While such

deals are the latest twist to the cable industry's emphasis on "value-added marketing," they are also leading the industry into new territory that promises to put some heat back into cable's cooling growth. In fact, many believe they are merely a precursor of things to come for the entire media industry.

"This whole area is going to explode as the Gannett's and Merediths and Murdochs begin to pull their various media properties together," predicts Clorox director of media services Bob Bolte. "And there's going to be a problem sorting all this out. You would hope that the sum is greater than the pieces, but there are definite control issues at stake here."

Indeed, multimedia packaging raises new questions about planning, buying, posting and even utilization of multimedia options. Do advertisers, for instance, have the right to "put the pieces

together and then take them apart" for different brands and different creative executions, asks Bolte.

Actually, such issues are pretty much open to negotiation in this uncharted area of cable deal-making, says Campbell-Mithun-Esty senior vice president and group media director Margaret Rosser. Says Rosser, who put together multimedia deals for insurance company client The Travelers with A&E, CNN, *Nation's Business Today* (the U.S. Chamber of Commerce's business-news show that airs weekday mornings on ESPN) and The Discovery Channel, "You can go to them with almost any idea, and they are willing to work with you." She adds, "This is something that we are trying to do with all of our media buys, but cable is a little more receptive. Just about all of the cable networks are seizing upon this as a marketing tool." While

OUT

MEDIUM

CABLE CONNECTIONS

Print:

Arts & Entertainment: *A&E Highlights*, trade deals with consumer magazines.
 CNN, TBS, TNT: Time Inc. (principal) magazines.
 The Discovery Channel: *The Discovery Channel* magazine.
 ESPN: *TV Sports*.
 The Nashville Network: *Country America*.
 Nation's Business Today: *Nation's Business* magazine.
 World Monitor show on The Discovery Channel: *The Christian Science Monitor*, *World Monitor* magazine.

Radio:

CNN: CNN Radio.
 Financial News Network: FNN Radio.
 The Nashville Network: TNN Radio.

Direct Mail:

MTV Networks: Direct-mail runs via an undisclosed direct marketing firm.
 The Weather Channel: New direct-marketing unit.

Broadcast & Syndication:

MTV, Nickelodeon, Nick At Nite and VH-1: First-run Viacom shows, including *Superboy*, *Super Mario Bros.*, *Remote Control*, *Super Sloppy Double Dare* and others.
 Nation's Business Today: *It's Your Business*.
 TBS: An unwired network affiliation with Tribune Broadcasting's stations, unwired deals with Turner Program Syndication events, such as the Goodwill Games.
 USA Network: An unwired network comprised of USA and independent tv stations, reaching 85% of U.S. homes.

Out-of-home:

ESPN: Plans to offer on-site stadium signage packages.
 MTV Networks: Special event marketing such as "Spring Break" and "Museum of Unnatural History".

there are few policies prohibiting advertisers from unbundling multimedia deals, most of the cable networks encourage buyers to cross-promote between cable and the other media to give the buy greater impact by raising awareness among consumers.

"We would not turn the space over to an advertiser to put in just any ad. That would defeat the purpose, and it starts encroaching on their potential revenues [to us]," says Larry Divney, vice president of advertising sales of A&E, which plans to do multimedia packages in 1989 that offer space in *Forbes*, *Fortune*, *Ladies' Home Journal*, *McCall's*, *Omni*, *U.S. News & World Report* and *Working Woman*.

While some cable networks leave the use of noncable media up to the discretion of the client, others actually recommend splitting it between brands and creative executions. In its "Ad

Plus" multimedia deal, which offers clients who spend \$100,000 or more in *Nation's Business* magazine the equivalent of 50% bonus weight in its cable and syndicated tv shows, *Nation's Business Today* and *It's Your Business*, the U.S. Chamber of Commerce recommends that clients split the media among brands when it makes sense. In a current deal with Nissan, for instance, the client used the magazine's "heavy trucks" issue to promote its small-truck line, but used its tv credits to promote its upscale Sentra line to business executives.

Still, clients say such deals must be scrutinized to make sure they meet the planning requirements of their brands. "It has to be looked at from a demographic and an editorial standpoint to see if it is appropriate for any of our products," says Warner Lambert director of advertising services Kaki Hin-

ton. Such deals should not be done for the sake of novelty, she says, but should serve a strategic purpose.

"The value of a multimedia concept — if it is right for our particular target audience — is that you can package something and get better rates by going through one person as opposed to doing it piecemeal. Otherwise, it would make sense for us to go out and buy it individually," she continues. "The logic for us is that you get added value, and you also get the economies of scale."

Gary Morgan, an N W Ayer senior media supervisor who has developed several multimedia cable deals for clients, agrees. "We first do the media analysis to determine whether a cable network is the right buy for us. Then we proceed to see what kind of 'media extras' can be blended in to make the media and marketing efforts that much more distinct."

While the value of these multimedia deals for clients often comes in the form of bonus weight, cable sales executives say such deals are more than just extra freebies. "It's the *gestalt* theory of media planning," says Douglas McCormick, senior vice president of sales for Lifetime Cable Television. "In theory, the whole should be greater than the sum of the parts."

In other words, everyone should gain from a multimedia deal: the client by better value and more impact; the agency by streamlined cross-media negotiations; and the various media involved by raising the percentage of budgets allocated to them.

While this may be the ultimate goal of such cable packages, sales executives concede that they currently are more of a novelty than a fundamental shift in the way cable tv is sold. "There's a certain amount of sex appeal associated with these deals from an agency standpoint," explains CNN vice president of sales Larry Goodman. "It enables them to go back to the client and say, 'I've done something creative, and I'm communicating your message in a way that other advertisers have not taken advantage of.'"

Actually, cable sales executives say that about half of these deals are done directly with clients, because agencies often are not equipped to take advantage of multimedia buys. Pointing out that agencies generally segregate print and broadcast buying responsibilities, Lloyd Werner, senior vice president of marketing for Group W Satellite Communications, which markets The Nashville Network, says, "Even if they can plan a cross-media deal, they are not set up to buy that way."

But even clients can have a hard time rationalizing the buying logic of a multimedia deal. "It may be harder for us to analyze than a deal where we buy the pieces separately," admits AT&T broadcast manager Douglas Ritter. "It's much easier for us to buy one medium singularly than for us to evaluate a number



Ayer's Rosser: "You can go to cable networks with almost any idea and they are willing to work with you."

of different opportunities, because then we have to bring more people into the purchase decision here at our company. And the more people you bring into the purchase decision, the harder it becomes."

Ritter says the added hassle of a multimedia deal may cancel out the added value. "Occasionally, what we've done is jettisoned the other parts of the media package and said, 'Let's just make the tv part work.' So, we've been defeating their purpose." Ironically, in a recent multimedia proposal to AT&T, Ritter says the company declined a

joint cable and radio deal, but considered making the radio buy only.

Still, cable networks see such deals as a means of extending their reach beyond the coaxial wire and into the advertising budgets of the broader media universe. "We're no longer just a cable tv buy," boasts MTV Networks vice president of advertising sales Douglas Greenlaw, "we're a total marketing vehicle." According to Greenlaw, all of MTV's top ten clients currently are involved in "something other than just a cable buy. We're not saying that buying

MTV is bad, but we're saying that there's a lot more to us than just that."

In addition to offering time on its four basic cable services — MTV, Nickelodeon, Nick At Nite and VH-1 — MTV now offers packages that include time on first-run syndicated shows from parent Viacom (which recently made MTV's sales department its national barter rep) and plans soon to offer opportunities in *MTV To Go*, a new consumer magazine it is launching. The cable network also is developing direct-mail options based on its own lists and has extended its "off-cable" marketing opportunities via special-events marketing, such as its "Museum of Unnatural History" traveling mall show.

Other cable networks are following suit. TNN which launched a radio network called TNNR this October, will launch the third leg of its multimedia marketing stool: *Country America*, a 400,000 paid-circulation magazine that is a joint-venture with Des Moines-based Meredith Corp. "We don't view ourselves as cable networks. We view ourselves as a marketing tool for advertisers who want to reach country-music fans," confesses TNN's Werner. "Cable is a technology, and an outdated one at that. It's just a way for us to get into people's homes."

Though such words may sound like blasphemy to their cable system affiliates, cable networks increasingly are singing

Affiliations to keep an eye on:

Arts & Entertainment: Capital Cities/ABC, General Electric, Hearst (principals).

ESPN: Capital Cities/ABC (parent).

Lifetime: Capital Cities/ABC, Hearst (principals).

MTV Networks: Viacom (parent).

The Nashville Network: Gaylord Broadcasting, Group W (principals).

USA Network: MCA, Paramount (principals).

such tunes in an effort to move themselves up to the next rung on the marketing ladder. While cable networks have had great success in recent marketing efforts, they still are selling a medium that is only in 55% of U.S. homes, and one which potentially will never be in more than 70%. So extending their marketing reach via multimedia tie-ins makes very good sense.

"What it does is it takes them out of the business of just selling cable spots," observes AT&T's Ritter. "I think they've begun to realize that you can only go so far selling commercials, and what they really want to do is help us market our products by trying to combine a number of media together in order to increase their sales." ■

NETWORKS AT A GLANCE

NETWORK	SUBSCRIBERS (millions)	1988 AD REVENUES (net in millions)
Arts & Entertainment	36	\$20.0
BET—Black Entertainment TV	22	8.9
CBS	43.5	50.0
CNN/CNNH*	48.4	121.6
The Discovery Channel	37	16.4
ESPN*	50	125.0
FNN—Financial News Network/FNN Score*	20	17.0
Lifetime	42	53.2
Movietime	11+	1.2
MTV	44.2	68.0
TNN—The Nashville Network	43	50.2
Nickelodeon	39.6	30.1
TBS**	47	195.9
TNT	23	NA
USA Network	47.9	110
VH-1	29.6	9.7
The Weather Channel	38	10.6

Sources: Cabletelevision Advertising Bureau; *Paul Kagan Associates; Network, industry and M&MD estimates; **Includes Atlanta ad revenue—Kagan.

DIRECT CONNECTIONS

Given its recent success at attracting blue-chip advertisers, has cable abandoned the less glamorous and lucrative mainstay of direct response?

For the most part, no. As the medium's demand begins to tighten supply, direct-response advertisers generally are airing fewer and mostly shorter ads than five years ago, and more often during fringe time. Established cable networks like ESPN have maintained revenue from direct response, but as a percentage of total revenue, direct-response advertising has slipped from about 8% to less than 5% since 1985, says Bob Jeremiah, ESPN sales vice president.

Since 1985, direct-response ad rates, which once were one of the best bargains in town as cable sought to establish itself, have increased some 20%. But ad agencies have adapted to the shrinking cable market, says Lawrence Butner, president of Lawrence Butner Advertising, whose direct-response clients include *Barron's* and *The Wall Street Journal*. The trick has been to convince big name publishing and finance clients to spend more on producing slicker and shorter advertisements.

Their crisp and staid advertisements on cable scarcely resemble those from cable's early days, when fledgling cable networks aired seemingly interminable ads for obscure products, ranging from ginzu knives

to K-Tel greatest hits compilations. "The days of junk ads on cable are over," says Butner.

Direct-response's second-tier status means uncertainty, but at an attractive price. As flexible inventory that can be booked or preempted on short notice, direct-response ads get cheaper leftover spots, usually discounted about 50% off the national rate.

"We don't know what we're getting until after the fact," says Polly Langbort, media director for Wunderman Worldwide, a top direct-response agency, with \$350 million in billings, whose clients include Time-Life.

And more and more often, agencies and networks say, direct-response ads are being preempted from prime time. Certain shows have virtually no time slots for direct-response and are booked solid with national image advertisers.

Repeating the medium's early days, newer cable networks like CNBC and Turner's TNT are more eager for direct-response advertisers. To lure skeptical clients, they will set rates per inquiry, often guaranteeing a certain response. More established networks usually negotiate set rates for their direct response. With networks like ESPN charging between \$1,500 and \$2,000 for a 30-second direct-response ad on fringe time,



Butner sees slicker and shorter direct-response spots on cable.

agencies scout for cut-rate deals from cable networks anxious to fill space at the last minute.

Still, most direct-response advertisers find cable a sweet deal. Of Butner Advertising's \$25 million in billings for 1988, about 45% went into cable, 35% to broadcast tv and 15% into radio.

"We like the good company," says Emile Pragoff, director of advertising for Charles Schwab, which puts 75% of its direct-response budget into cable. "Cable has twice the audience it used to. It's like running two spots for the price of one."

William Smith

CABLE AD SCORECARD

A GUIDE TO THE TOP 20 AGENCIES IN CABLE, BY BILLINGS

(A key to the networks and abbreviations appears on page 84.)

FOOTE, CONE & BELDING

1



Jim Cunningham,

Vice president, associate national broadcast director

Clients placed on national cable:

Amana
California Raisins
Celestial Seasonings
CIBA Geigy
Clorox
Colgate
Coors
Holland America Line
H.I.S. Jeans
Kraft

Levi's
Marriott
Mattel
Mazda
MCA Home Video
Orion
Ray-O-Vac
S.C. Johnson
Shaklee
Sunkist Growers
Teledyne Water Pik
Zenith

Networks used: A&E, BET, CBN, CNN, CNNHN, ESPN, FNN, Lifetime, Movietime, MTV, Nickelodeon, Nick at Nite, TBS, TDC, TNN, TNT, Travel Channel, TWC, USA, VH-1

1988 billings: \$47 million
Projected 1989: \$50 million

DOB NEEDHAM WORLDWIDE

3



*New York
Bart McHugh,*

Senior vice president, director of national radio/television programming

Clients placed on national cable:

Amtrak
Audi
Colombian Coffee
Flecto
First Nationwide Network
Frigidaire
Frito-Lay
General Mills
GTE
H.J. Heinz
Hershey
Maybelline
Michelin
Mobil
National Dairy Board
Ramada Inn
Rubbermaid



*Chicago
Wes Dubin,*

Senior vice president, director of national broadcast and programming

State Farm Insurance
The Nashville Network
Universal
Volkswagon

Networks used: A&E, BET, CBN, CNN, CNNHN, ESPN, FNN, FNN Score, Lifetime, MTV, Nickelodeon, Nick at Nite, TBS, TDC, TNN, TWC, USA, VH-1, WGN

1988 billings: \$42 million
Projected 1989: \$48 million

SAATCHI & SAATCHI ADVERTISING

2



Allen Bork,

Executive vice president, director of marketing services

Clients placed on national cable:

California Almond Growers
CPC
Florida Dept. of Citrus
General Mills
Kikkoman
Helene Curtis
ICI Corporate
Johnson & Johnson

L'eggs/Hanes/Sara Lee
Mexican Tourism
Northwest
Paine Webber
Procter & Gamble
Squibb
Teletime
Toyota
Tyson
Upjohn
Yamaha

Networks used: A&E, BET, CBN, CNN, CNNHN, Discovery, ESPN, FNN, Galavision, Lifetime, MTV, Nickelodeon, Nick at Nite, SIN, TNN, TNT, USA, VH-1, WTBS.

1988 billings: \$43.5 million
Projected 1989 billings: \$51.3 million

GREY ADVERTISING

4



Alec Gerster,

Executive vice president of media and programming

Clients placed on national cable:

B. F. Goodrich
Block
Capital Cities/ABC
Canon USA, Inc.
Color Tile
Creamette
General Foods
JRAP
Kenner
Mitsubishi

Olin
Panasonic
P&G
Playtex
Quaker State
Red Lobster
Remington
Stroh
Tonka
Upjohn
U.S. Mint
Warner Bros.
Warner Bros. Television
Warner Home Videos

Networks used: A&E, BET, CBN, CNN, CSM, Discovery, ESPN, FNN, JEFF, Lifetime, Movietime, MTV, Nashville (TNN), Nickelodeon, SIN, Sports Channel, TBS, TNT, TWC, US, VH-1

1988 Cable Spending: \$36.0 million. Projection: \$38 million

J. WALTER THOMPSON

5



Richard Kostyra,
Executive vice president, U.S.
director of media services

Clients placed on national cable:

Benetton
Eastman Kodak
Fisher Price
Ford
Gerber
McDonnell-Douglas
Mexicana Air

Monroe Auto.
Norfolk Southern
NW Mutual
Orkin
Oscar Mayer
Paramount HV
Quaker Oats
Scott
20th Century Fox
U.S. Marine Corp.
U.S. Sprint Communications
Walker Manufacturing

Networks used: A&E, BET, CBN, CNN, CNNHN, ESPN, Lifetime, MTV, Univision, TBS, TNN, TWC, USA

1988 billings: \$35 million
Projected 1989: \$40 million

YOUNG & RUBICAM

6



Paul Isacson.
Executive vice president,
broadcast programing and
purchasing

Clients placed on national cable:

Adidas
AT&T
Arthur Andersen
Brach's Cand.,
CIBA-Geigy
Clorox
Colgate-Palmolive
Dannon
Dr Pepper
Du Pont
First Brands
Goodyear
Heublein
Hillshire Farms
Holiday Inn

Jamaica Tourist Bureau
Jenn-Air
Johnson & Johnson
Kentucky Fried Chicken
Kodak
Lincoln-Mercury Division
Met Life
Mylanta
NYNEX
Olympic Stain/Paint
Pillsbury
Revlon
Richardson-Vicks
Sun Diamond
Suzuki
TWA
UNISYS
U.S. Army
U.S. Postal Service
Warner-Lambert

Networks used: A&E, BET, CBN, CNN, CNNHN, C-Span, ESPN, FNN, Lifetime, MTV, Nickelodeon, TBS, TDC, TNN, TWC, Univision, USA

1988 billings: \$33.6 million
Projected 1989: \$35.3 million

BBDO

7



Stephen Grubbs,
Senior vice president, director
of national tv buying

Clients placed on national cable:

Apple computers
Campbell Soup
Centel Corp.
Coldwell Banker
Delta
Dodge
Du Pont
Equitable
General Electric

HBO
Kemper
Navy
Lever Bros.
Pepsi
Pizza Hut
Polaroid
U.S. Navy
Visa
Wm. Wrigley Jr.

Networks used: A&E, BET, CBN, CNN, ESPN, FNN, Lifetime, Movietime, MTV, Nick at Nite, TBS, TDC, TNN, TWC, USA, VH-1

1988 billings: \$30 million
Projected 1989: \$33 million

D'ARCY NASIUS BENTON & BOWLES

8



Irwin Gottlieb,
Senior vice president, national
broadcast & programing
director

Clients placed on national cable:

Brown Shoe
Conagra
Coming

Denny's
Dow Chemical
General Foods
Hampton Inns
Mars
NBC
Paramount Pictures
Procter & Gamble
UDIA
Whirlpool

Networks used: A&E, BET, CBN, CNN, CNNHN, ESPN, Lifetime, MTV, Nickelodeon, Nick at Nite, TBS, TNT, Univision, USA, VH-1

1988 billings: \$28.0 million
Projected 1989: \$38.0 million

OGILVY & MATHER

9



Alice Greenberg,
Senior vice president, director,
national television and
programing

Clients placed on national cable:

American Express
AT&T
Campbell Soup
Committee on Energy
Awareness
Compaq
Cotton
Duracell
General Foods
Hardees

Hershey
Kimberly-Clark
Mattel
Owens Corning
Publishers Clearing House
Ryder
Seagrams Wine Cooler
Sears
Shell
Smith Barney
United Technologies
Waste Management
Western Publishing

Networks used: A&E, BET, CBN, CNN, CNNHN, ESPN, FNN, Lifetime, MTV, Nickelodeon, Nick at Nite, TBS, TDC, TNN, TNT, TWC, USA, VH-1

1988 billings: \$25.0 million
Projected 1989: \$30.0 million

CAMPBELL- MITHUN-ESTY

10



Media directors, left to right:
Chuck Abrams, Earl Herzog, Ric Paschke, Tom Winner

Clients placed on national cable:

Anderson
3M
Chrysler Motor Corp. — Jeep,
Eagle
Corona
Dow Brands
General Mills Inc.
Jeep/Eagle Dealer
Associations
Kimberly-Clark Corp.
Minolta
Tambrands

Texaco
The Toro Company
The Travelers

Networks used: A&E, CBN, CNN, ESPN, FNN, Lifetime, Nickelodeon, Nick at Nite, TBS, TDC, TNN, TNT, TWC, USA, VH-1, WGN

1988 billings: \$24.1 million
Projected 1989: \$27.7 million

N W AYER

11



*Robert E. Igiel,
Senior vice president, executive
media director, national
broadcast*

Clients placed on national cable:

AT&T
Burger King
C.B. Fleet

Citicorp
Dunlap
Dupont
Gallo
General Motors
J.C. Penney
KitchenAid
Procter & Gamble
Sterling Drug

Networks used: A&E, BET,
CBN, CNN, C-Span, ESPN,
FNN, Lifetime, MTV, TBS,
TNN, TNT, TWC, USA

1988 billings: \$24.1 million
Projected 1989: \$26.5 million

LINTAS: CAMBELL- EWALD

12



*Suzanne Shawn,
Vice president, network/new
technologies*

Clients placed on national cable:

Bridgestone

Camation
DBM
General Motors
Howard Johnson's
Kodak/Sterling
Lego
Mastercard
Noxell

Networks used: A&E, CBN,
CNN, CNNHN, ESPN, FNN,
MTV, Nickelodeon, TBS,
TDC, TNN, TWC, USA

1988 billings: \$20.9 million
Projected 1989: \$52.6 million

McCANN-ERICKSON

13



*Ira Carlin,
Executive vice president,
national media director*

Clients placed on national cable:

Alaska Tourism
American Express Gold Card
AT&T
Black & Decker
California Milk Advisory Board
Century 21
Champion Anco
Chevron

Coca-Cola
Cosmair
Exxon
General Motors
Hilton Hotels
Mennen
National Dairy Board
Nintendo
Texas Instruments
Viadent
Washington State Apple
Well Fargo Bank

Networks used: A&E, CBN,
CNN, ESPN, FNN, Lifetime,
MTV, Nick at Nite,
Nickelodeon, TBS, TDC,
TNN, TNT, Travel Channel,
TWC, USA, VH-1

1988 billings: \$20.2 million
Projected 1989: \$23.5 million

LEO BURNETT

14



*Willard Hadlock,
Executive vice president,
director of media services*

Clients placed on national cable:

Allstate
Amurrol
BASF
Black & Decker
First Brands
Heinz
Kellogg
Kraft

McDonald's
Mrs. Smith Pies
Noxell
Oldemobile
Pillabury
Procter & Gamble
Richardson-Vicks
Samsonite
Seven Up USA
Starkist
Tropicana
United Airlines

Networks used: A&E, BET,
CBN, CNN, CNNHN, ESPN,
FNN, Lifetime, MTV,
Nickelodeon, TBS, TDC,
TNN, TWC, USA, VH-1

1988 billings: \$18.4 million
Projected 1989: \$16-\$20
million

BACKER SPIELVOGEL BATES

15



*William P.
Croasdale,
Senior vice president, director
radio/television programming*

Clients placed on national cable:

Carter Wallace
CBS
Castle & Cooke
Hyundai

KalKan
M&M Mars
Miller Brewing
Philips Consumer Electronics
The Prudential
Prudential Bache
Quaker Oats
Uncle Ben's
Wendy's
Xerox

Networks used: A&E, CBN,
CNN, ESPN, FNN, Lifetime,
MTV, Nickelodeon, TBS,
TNN, TNT, TWC, USA

1988 billings: \$15.5 million
Projected 1989: \$21.4 million

BOYELL, JACOBS, KENYON & ECKHARDT

16



*Ted
Paszkiewicz,
Vice president, associate
director of network operations*

Clients placed on national cable:

ACE Hardware
American Airlines
Bencisur
J.I. Case

Chrysler Import Cars
Faberge
Kawasaki
Lawn Boy
Lorimar
Merrill Lynch
Valvoline Oil
Vice-Grip Tools
Weiders Health & Fitness
Wolverine

Networks used: A&E, CBN,
CNN, ESPN, FNN, Lifetime,
MTV, Nickelodeon, TBS,
TDC, TNN, TWC, USA, VH-1

1988 billings: \$15.2 million
Projected 1989: \$16.8 million

LAURENCE, CHARLES, FREE & LAWSON

17



*Ann Kohl,
Vice president, director of
national broadcast*

**Clients placed on national
cable:**
Gorton's
Selsun Blue
Thompson Medical

Networks used: A&E, BET,
CBN, CNN, ESPN, Lifetime,
TDC, TNN, USA, VH-1

1988 billings: \$12.0 million
Projected 1989: \$14.0 million

CHIAT/DAY

18



*Annette
Cerbone,
Vice president, director of
national television*

**Clients placed on national
cable:**
Mitsubishi
National Car Rental
Nissan Motor
Reebok International
Ricoh
Royal Caribbean Cruise Lines
3M Corp. — Personal Care
Division

Networks used: A&E, CBN,
CNN, CNNH, ESPN,
Lifetime, MTV, Nickelodeon,
USA

1988 billings: \$9.0 million
Projected 1989: \$10.0 million

LOWE MARSCHALK

19



*Marilyn Fisher,
Senior vice president, director
of broadcast services*

**Clients placed on national
cable:**
Drexel Burnham Lambert
Kitchens of Sara Lee

Networks used: A&E, CNN,
ESPN, MTV, Nickelodeon,
Lifetime, TBS, TDC, Travel
Channel, USA

1988 billings: \$8.1 million
Projected 1989: \$10.2 million

KARNICK ADVERTISING INC.

20



*John J. Meskil,
Executive vice president, media
& administration*

**Clients placed on national
cable:**
CPC International
Crafted with Pride in the USA
Council
Fruit of the Loom Inc. (BYD)
Schering-Plough
Sterling Drug

Networks used: A&E, CNN,
CNNH, ESPN, Lifetime,
MTV, TBS, TNN, TWC

1988 billings: \$3.0 million
Projected 1989: \$10.0 million

Key to the Networks

A&E: Hearst/ABC Video En-
terprise Alpha Repertory Tel-
evision Service. Cultural
programming.

BET: Black Entertainment Tel-
evision. Black-oriented
shows.

CBN: CBN Cable Network.
General interest.

CNN: Cable News Network.
Ted Turner's all-news.

CNNH: Cable News Network
Headline Service.

DISCOVERY: See TDC.

ESPN: Entertainment and
Sports Programming Network.
Sports plus *Business Times*.

FNN: Financial News Net-
work.

FNN Score: Evening sports on
Financial News Network.

HTS: Home Team Sports. A
regional sport network.

LEARNING CHANNEL: Educa-
tional and business program-
ing.

LIFETIME: Women's service
from Hearst/ABC/Viacom En-
tertainment Services.

MOVIE TIME: All things Holly-
wood, 24 hours a day.

MSG: Madison Square Gar-
den Sports.

MSN: Modern Satellite Net-
work. *Home Shopping Show*.

MTV: Viacom's 24-hour rock-
music channel.

NICK AT NITE: Family evening
fare from Nickelodeon.

NICKELODEON: Viacom's kids
channel.

TDC: The Discovery Channel.
Science, nature, history and
exploration.

TNN: The Nashville Network.
Country/Western.

TNT: Turner Network Televi-
sion. General.

TWC: The Weather Channel
from Landmark Comms.

UNIVISION: Spanish-language
programming.

USA: USA Cable Network.
General.

VH-1: Video Hits One. Adult
music videos from Viacom.

WGN: Passive superstation
from Chicago.

WON: Passive superstation
from New York.

WTBS: Ted Turner's WTBS-
TV, Atlanta, superstation.

BRAND REPORT

No. 160: Business Software

NUMBER CRUNCHERS

by Brian Bagot

If tradition can exist in an industry that's only about 10 years old, then the business micro-software industry has traditionally had three leaders — Microsoft, Lotus and Ashton-Tate. But watch out — there is a whole group of software publishers pushing furiously to the top of the micro mountain. And like any mountain, there's more than one way to the top.

This \$4 billion industry has enjoyed a decade of unbridled

growth as software publishers averaged sales gains of 30% to 40% annually. Two of the top three companies have annual software sales exceeding the \$400 million mark, while second-tier players are nearing \$100 million.

Although a specific definition is difficult to nail down, business software, unlike entertainment, is designed to help companies make and save money by creating a more efficient or professional working environment.

SOFTWARE MEDIA EXPENDITURES (000)
Consumer Media January-September 1988

	Rome Reports Business Magazines January-December 1988	Nine-Month Total	Bar Spot Television	RER Spot Radio	LNA Magazines	MR Newspapers	LNA Sunday Magazines
Microsoft	11,439.0	910.4	—	—	296.4	614.0	—
Lotus	4,457.3	3,432.1	—	784.6	2,605.5	33.1	8.9
Ashton-Tate	3,599.1	944.9	—	44.1	800.6	100.2	—
Borland	7,299.8	34.8	—	—	—	34.8	—
Computer Associates	4,427.8	153.4	—	—	91.1	62.3	—
Software Publishing	1,565.2	940.3	5.8	—	934.5	—	—
Aldus	1,375.1	—	—	—	—	—	—
WordPerfect	2,340.0	—	—	—	—	—	—
Autodesk	938.8	—	—	—	—	—	—
MicroPro	583.6	—	—	—	—	—	—

Sources: Broadcast Advertisers Reports (BAR); Leading National Advertiser Reports (LNA); Radio Expenditures Report (RER); Media Resources (MR); Rome Reports; Network, cable, syndicated television and

television (LNA); Radio Expenditures Report (RER); Media Resources (MR); outdoor not reported during period

Major segments defined by the Software Publishers Association (SPA) include word processing and spreadsheets, representing 17.2% and 16.5% shares of retail sales, respectively. Two others are data-base programs, with 12.3%, and graphics, with 8.9% of the retail sales.

spreadsheet segment, where competition is getting hotter as players vie for position while the leader, three-year-old Lotus 1-2-3, undergoes a rewrite. In the fast-paced software world, one to two years is the usual life span of a program before it is upgraded to the next generation. It is this development

huge task. Lotus underestimated that job." As Stephen Kahn, the vice-president of marketing for Borland, notes, "People waited [for the new Lotus program], but they're not able to wait any longer." Though sales of Borland's products are up as a result, he still notes ruefully that "despite Lotus's lateness, 1-2-3 is still out-selling our Quattro and Microsoft's Excel."

Figures from InfoCorp show Lotus 1-2-3's market value in 1988 hitting \$734 million, while Excel's reached \$113 million and Quattro's totaled \$14 million. Market sales represent the total street value of the program, only about half of which goes to the publisher.

InfoCorp's Dan Ness, senior analyst for software research, says Lotus has not lost as much marketshare as it might have during the rewrite period. He thinks the Excel program could have made more gains on 1-2-3, but because it requires a more powerful machine, adoption was limited. "There was nobody to come in and take market share from Lotus," he believes. "In the Macintosh market, Excel is doing very well, but will someone buy a Mac just for the Excel program?" Ness asks.

Some industry observers say Lotus 1-2-3 once held about 80% of the spreadsheet market, but that during the past 18 months this has slipped to about 60% to 70%. It's noted, however, that the slip came from others capturing new users, as opposed to losing current users to competing programs. Software companies try to break into the untapped areas of a market rather than attempt to steal away users who have already made a major investment in another program.

By company, the overall leader of the pack is Microsoft, with \$591 million in sales last year. Microsoft surpassed Lotus as number one in sales about three years ago. Unlike Lotus, which has maintained a more conservative course, Microsoft has been more aggressive. "Microsoft has placed itself in a precarious position by stretching its resources and shipping some buggy products, which it took a beating for," says Jeffrey Tarter, editor of *Softletter*, and industry newsletter. "They're always stretched thin and tend to bite off a little more than they

This is about Lotus 1-2-3.

At the moment, millions of Lotus 1-2-3 users are faithfully awaiting the arrival of a product called Release 3. A character-based product that promises greater power and greater versatility for serious spreadsheet users. Release 3 is a better idea.

In the meantime, we have a question: If Release 3 is in fact character-based, and the entire personal computing industry continues moving toward graphics-based environments, how is it going to be Release 3? It is under the alternative.

Actually, you can do both. Because you have nothing to lose by seeing the other side of the spreadsheet story, and trying it for yourself.

So, start Microsoft Excel. The spreadsheet specialist designed for people who want to make the most of their data. The spreadsheet that's actually worth the wait.

With Windows (OS/2 Presentation Manager and, of course, the Macintosh), you're a lot closer to it. It's a big step, but it's a step that's been anticipated by some of the most successful users of 1-2-3.

Excel is a better idea. It's a better idea that's been anticipated by some of the most successful users of 1-2-3.

Excel is a better idea. It's a better idea that's been anticipated by some of the most successful users of 1-2-3.

Microsoft
Making it all make sense.

Microsoft's Excel ad goes straight for the Lotus user.

This is not a follow-the-leader industry where cut-price knock-offs pop up over night. The technology changes with the rising sun as software categories are constantly developed. It's this trait that makes successfully marketing a program a business of finesse and timing.

Since the first product in specific segments of the market usually has the advantage over competitors, it can be futile trying to play catch-up. But systems have to be updated regularly to meet the growing demands of the end-users. When updating is no longer sufficient, the systems have to be re-programmed, creating a window of opportunity that allows other players in the market to enter with a more advanced program than the established leader has to offer. "They leapfrog," says Joe Cross, an analyst with Future Computing, a computer industry research and information company. "The key is to identify when the technology changes, and then come in and surpass" the current leading program. It's sort of like a racing car driver being passed while in a pit stop.

Such is the current scene in the

period, however, that provides the open window for competitors. Most notable in this case are Microsoft and second-tier Borland International, which are soup up their campaigns in an effort to gain on Lotus.

Opening up the window a little more is that the rewrite has taken longer than Lotus anticipated. As Cross points out, "They wanted to develop versions for different operating systems, which is a

The business is not a follow-the-leader industry where knock-offs pop up over night.

can chew." But whatever they're eating, it has kept them on top.

Another company growing towards the first tier is Software Publishing Corp. Its Harvard program is ranked number two in the graphics segment, with \$30.2 million in sales last year. Watch out too for WordPerfect, the leader in the word processing category with its WordPerfect word processing program, which last year totaled up \$199 million in sales, according to InfoCorp.

Many second-tier companies have filled holes the market leaders missed by supplying the lower end of the market with inexpensive programs, according to Nancy McSharry, analyst with International Data Corp. But after making gains in the lower end, they are now starting to offer more sophisticated programs and move upscale. Borland International, for instance, has made several acquisitions over the past few years to increase its range of products. The company has also moved away from the low-end mail-order business, and in the spreadsheet category, its Quattro spreadsheet program ranked third in dollar volume last year.

As far as distribution goes, channels vary, but the primary route is from producers to distributors to retailers. Mail order also has an important role in the business, primarily for the lower end of the market. Dave Freeman, chief executive officer of Advanced Computer Products and chairman of the Direct Marketing Association's Micro Computer Council, estimates that 20% to 30% of business software sales are generated through direct-marketing efforts.

Large corporate customers can buy direct from a producer, but for the most part, the final sale is made by the retailer. Many of the larger chains and franchises have outbound sales staffs to solicit corporate accounts.

To get sales moving on all levels, the software industry is increasingly turning to advertising. The technology trade press, for example, has benefited nicely from this trend. This is the primary media used where corporate specifiers in management information system and data processing (MIS/DP) departments can be reached, as well as those influential office-computer enthusiasts. The tech trade books received the bulk of the \$35 million spent

on trade ads by the top ten producers last year, according to Rome Reports.

However, as system costs go up and buying one becomes a major business decision rather than a computer decision, senior managers are getting into the act. Many software publishers are branching out to vertical trade books like the *Journal of Accountancy* and *Insurance Journal*, as well as the general business press to go beyond the end user and tap department heads and business managers.

Ad expenditures in the consumer

**The key is to
identify changing
technology,
then come
in and
pass
the
leader.**



press, which includes the major business publications, totaled \$6.4 million, while total newspaper plus Sunday magazines expenditures were \$853,300 in the first three quarters of 1988, according to figures from Leading National Advertisers (LNA). Lotus was the big spender here, with \$2.6 million in consumer magazines and \$42,000 in newspapers and Sunday magazines during the first nine months of last year.

Spot radio, primarily a promotional vehicle, was used by only two of the leading producers. In the first three quarters of '88, Lotus spent \$784,600, while Ashton-Tate spent \$44,100.

The following companies are leaders in the business software industry, based on preliminary 1988 retail sales figures, as ranked by Dataquest Inc., San Jose, Calif.

Microsoft

Microsoft, which has grown from 80 employees in 1980 to 2,800 around the world and was the leader in dollar volume in 1988, is going straight for the

Lotus jugular with its latest Excel ads from Ogilvy & Mather, headlined: "This is about Lotus 1-2-3."

This strategy, says Ogilvy's Michael Delman, vice president and account supervisor for Microsoft, allows the company to begin a dialogue with buyers in the spreadsheet market, touting the program's benefits over 1-2-3's. "We explain the benefits of a graphic environment that they don't get in 1-2-3," he says. "The graphic environment is more functional, easier to learn and offers better output."

Graphic and character environments are the range of type and design options offered. The industry had historically been limited to systems that are limited to character outputs, but as PCs have gotten more powerful, a demand has been created for programs with greater capabilities. Better environments can provide the best of both worlds.

For the most part, the targets for Microsoft's exclusively print campaign are the power users and the heavy computer-related decision makers in the MIS/DP departments. But as senior managers are moving into the picture, the company's ad base has been expanded from technology books to include newspapers and newsweeklies to hit corporate upper-level management.

Jeffrey Sanderson, group product manager for word processing and head of the PC Line Committee at Microsoft, describes the marketing evolution as sort of a push-and-pull situation. "We're pushing the MIS people to make us their standard," he says. "They don't have a reason to add a new standard unless someone asks. They need motivation from within the institution, otherwise they'll stay with an existing product." This is where expanding the media mix comes in—it increases reach.

Trade expenditures last year totaled \$11.4 million, according to Rome Reports, while in the first three quarters of '88 consumer ad spending, tracked by LNA, was about \$910,400.

Delman says that Microsoft is maintaining its presence in the 10 to 12 core computer books, but is also branching out into business publications like the *Wall Street Journal*, *Fortune*, *Business Week*, *Time*, *Newsweek* and *U.S. News and World Report*. The rationale behind expanding the ad base, Delman

explains, is that not everyone involved in the purchase decision, particularly those in business management, reads the technical publications. "A lot of decision makers don't pick up the PC books. The only way to reach them is through a broader range of media," he states.

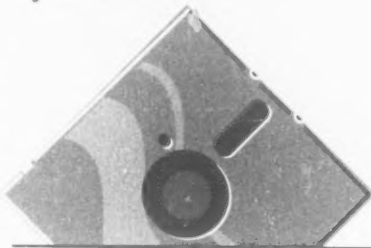
Lotus

After a year of development, Lotus expects to get its long-awaited 1-2-3 Release 3 on the market this spring. In an effort to hold on to its huge share of the spreadsheet market, Lotus made some minor adjustments to 1-2-3 with a value pack that provides additional functions to the 1-2-3 while users waited for the new program. Some of the added features include Lotus Learn and Lotus Speed-up.

The company says its ad budget falls within the industry standard at about 2.5% and 5% of annual revenues. Sales for 1988 totaled \$468.5 million.

The two main targets for the 1-2-3 ads are "mavens," computer enthusiasts for whom working on a PC is a major part of their job, and new generation professionals, or the middle managers who use the PC as an extra-edge tool. To reach the mavens, who are also the primary influencers in buying decisions, ads are placed in the various computer books like *PC Week* and *PC Magazine*. The new generation professionals are reached through a core list of business publications like

Lotus underestimated the task of rewriting 1-2-3 for varied systems.



Fortune and Business Week.

Jan Cooney, media supervisor with Leonard Monahan Lubars & Partners, Providence, R.I., the agency handling the account, says the media campaign will expand through the use of more business publications like *U.S. News and World Report* and *Forbes*. Competitors are becoming more aggressive as they vie for 1-2-3's market, and the expanded campaign is part of the effort to keep the Lotus 1-2-3 presence in the market.

Tom Monahan, president of LML, says that while the 1-2-3 rewrite is taking place, another strategy Lotus has employed to spur sales is promotional activity. One of the deals includes conversion to the 1-2-3 Release 3 program when it's available, an option included with the purchase of the current 1-2-3 Release 2.01 program.

Lotus is also one of two software publishers to use spot radio, the other being Ashton-Tate. It has used it for promotions with a major Western retailer called Egghead. About \$784,589 was spent on ads in the first three quarters of last year, according to Radio Expenditures Report.

The company is also trying to break away from its one-product image. While users may refer to the 1-2-3 program as "The Lotus," the company offers around 10 other programs, all with the Lotus prefix. "The primary job is to sell the product, but the second job is to keep the Lotus image up," says Monahan.

One program that's helping the com-

pany expand its image is its Lotus Symphony, a business-software program integrating 1-2-3 spreadsheet technology with word processing, graphics, data bases and communications. Its media schedule has not yet been decided.

Ashton-Tate

Ashton-Tate is the dollar volume leader in the information retrieval segment with its dBASE programs. One nice piece of data is that sales of these and other programs generated \$267.3 million in revenues for Ashton-Tate last year, according to InfoCorp.

Another more-than-one-product company, Ashton-Tate uses a different ad strategy for each of its products, since the target groups change from program to program. But the ads tie in with an easy-to-use theme.

"We never develop an advertisement looking at the other companies, but develop strategies in what we think is the right way to introduce the products to the customers," explains Lydia Dobyns, vice president of corporate marketing. "One of the challenges is to continue to invest. Where is the experiment? What risks can we afford to take? What's new to help us understand the customer?"

With ads from Foote, Cone & Belding and a \$10 million ad budget, Ashton-Tate avoids standard trade journals because, as Dobyns says, "There's not enough computer adoption in business



Lotus Symphony pitches contrasting strengths.



Ashton-Tate has an easy-to-use theme.

as well as tackle specific business applications. For specifiers, the ads try to communicate how other corporations are standardizing on this product to get workers on the same family of programs.

SPC spent close to \$1 million in consumer vehicles tracked by LNA during the first nine months of 1988. These included *Business Week*, the *Wall Street Journal* and *American Week*. Meanwhile about \$1.6 million was spent on trade ads, according to Rome Reports. Some of the titles used were *PC Week*, *PC Computing* and *InfoWorld*.

The company was the only one of

explains. "We recognize that software purchasers rely on some sort of assistance and we attempt to influence the influencers." This is accomplished by appearing in editorial content of the various computer-oriented magazines.

The ad budget is about 2.5% to 5% of annual revenues, which for the first nine months of 1988 totaled \$55.5 million. Rome Reports pegs the company's ad expenditures in business magazines at \$1.4 million for all of last year.

Ads produced by Dahlin, Smith and White out of Salt Lake City run the gamut of computer trade books. As the company broadens its line of products,

Introducing the most highly acclaimed word processor since WordPerfect 4.2.

At WordPerfect 4.2, we've added a lot of new features and improvements to make it the most powerful word processor available. It's the only word processor that can do everything you need to do in a word processor. It's the only word processor that can do everything you need to do in a word processor. It's the only word processor that can do everything you need to do in a word processor.

WordPerfect targets the specifier.

New Words From The World's Celebrated Graphics Software.

Thank you for choosing Harvard Graphics from SPC. Harvard Graphics has a lot of new features and improvements. It's the only graphics software that can do everything you need to do in a graphics software. It's the only graphics software that can do everything you need to do in a graphics software. It's the only graphics software that can do everything you need to do in a graphics software.

Humor plays a role for Harvard Graphics from SPC.

the top business software publishers to use tv last year. It spent about \$5,800 on local spots in conjunction with the National Computer Graphics Association's show last year.

Aldus

The company is broadening its line from desktop publishing to develop, market and support micro-business software in other areas of communication. Its PageMaker desktop publishing software's market value was \$35.4 million last year, according to InfoCorp.

Aldus employs a mix of marketing tools, but public relations, says Jill Bamburg, director of marketing, plays a large part. "Many of the high-tech decisions are made by laymen who need help from credible sources," she

explains. "We recognize that software purchasers rely on some sort of assistance and we attempt to influence the influencers." This is accomplished by appearing in editorial content of the various computer-oriented magazines.

WordPerfect Corp.

Word-of-mouth works perfectly for WordPerfect, and to get the words rolling, the company places the bulk of its ads in the computer trades.

The privately held company spent only 1.5% of its \$179 million in revenues last year on advertising, while 3.5% of the annual total went to co-op programs. This year's sales are expected to reach \$275 million.

Most of the in-house generated ads

run in the computer trades, such as *PC World* and *Computer Reseller News*, though mass circulation publications have been used. "We've tried general circulation magazines, but the success is difficult to measure. We target specific magazines, because people who are buying computers pick these up to educate themselves," explains Andre Peterson, vice president of product marketing.

Its number-one program, WordPerfect, generated about 80% of its sales last year and has a 40-to-50% share of the word-processing market.

Autodesk

With \$79.3 in annual sales and about 60% of the PC-based computer-aided design (CAD) market, Autodesk's advertising efforts, which consume about 2.5% of annual sales, have been concentrated in vertical trade books. These include *Architectural Digest*, *Design News* and most recently *Machine Design*.

The company's marketing and advertising expenditures total about 25% of annual revenues. Net revenues from 1986 to 1988 rose 62.8% to \$79.3 million. Some of the company's major expenditures last year included advertising designed to increase its presence in the corporate arena, as well as involvement in AutoCAD expositions in the U.S. and Europe. To do this, they used titles such as *Machine Design*, *Design News* and *Architectural Record*. ■

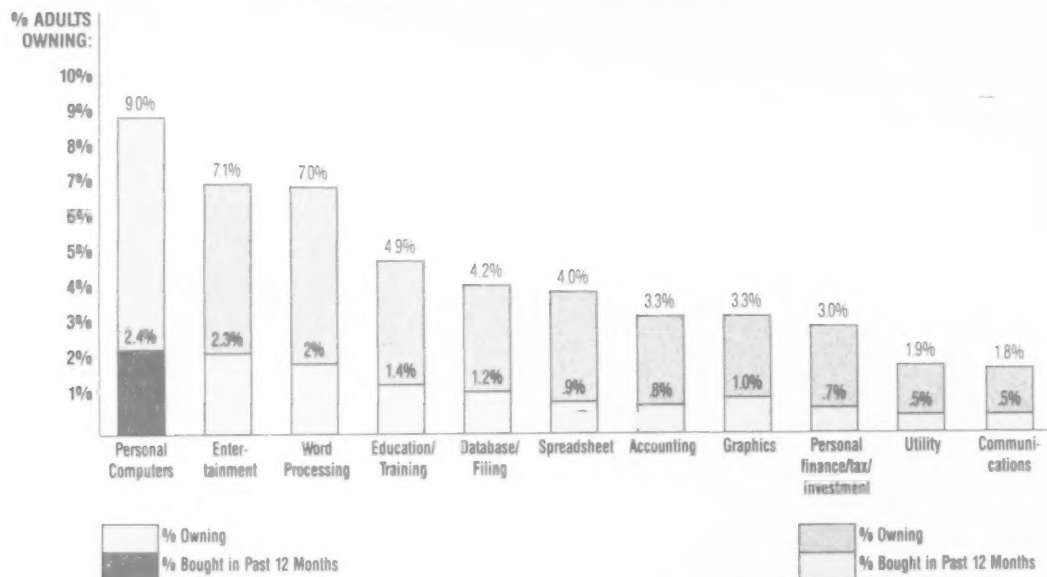


BRAND REPORT INDEX

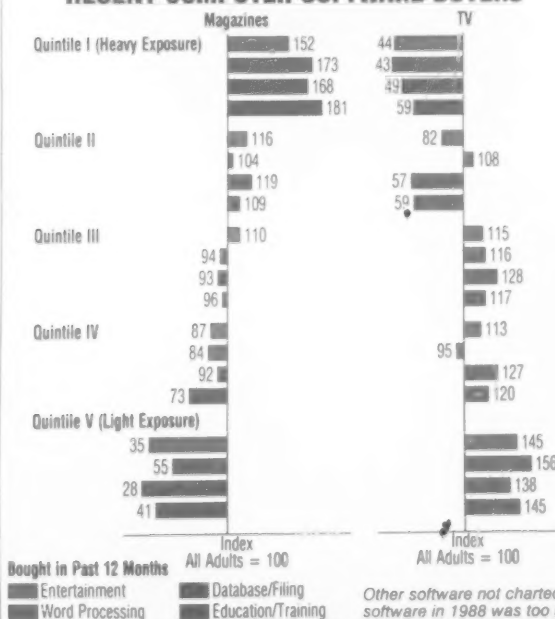
BUSINESS SOFTWARE

How to read: Our indices of user demographics and media preferences are used to indicate the direction and amount of difference from the average. The index of the average is, by definition, 100. Thus, an index of 112 reflects a 12% above-average incidence. An index of 89 indicates an 11% below-average incidence.

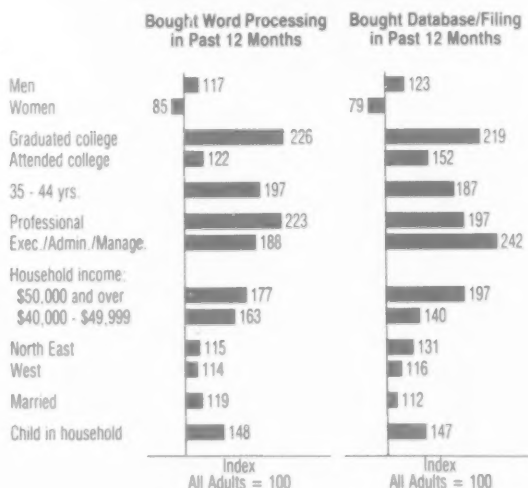
COMPUTER SOFTWARE PENETRATION



MEDIA EXPOSURE AMONG RECENT COMPUTER SOFTWARE BUYERS



SAMPLE KEY DEMOGRAPHICS BY COMPUTER SOFTWARE TYPE



Other software not charted because percentage of adults buying the software in 1988 was too low to accurately provide demographics.

TOOLS OF THE TRADE

by Wally Wood

SEEING RED OVER YELLOW-PAGES RESEARCH

The conclusions of the Yellow Pages Publishers Association task force on syndicated research, released at the end of February, provoked a loud and negative reaction from some people they most hoped to please — national advertisers.

"I'm disappointed and frustrated," says John Joseph, vice president of marketing at Roto Rooter Services Company and chairman of the Telephone Directory Advertising Committee of the Association of National Advertisers. "I believe the recommen-

That task force concluded that although book-to-book comparison "offers certain industry members potential advantages, the association does not recommend the adoption of syndicated intramedia research on an industry-wide basis. YPPA does, however, recognize the opportunity for syndicated intramedia research and encourages individual publishers to evaluate and meet that opportunity associated with it as appropriate in selected markets."

Joseph sees this as a cop out. "The YPPA says that publishers should con-

executive of Pacific Bell Directory (currently testing national ads in its pages), said last October, "We have just begun to be noticed on the national scene . . . We believe in our coldest and most analytical hearts that 15% to 20% annual growth in national revenues is possible, probable and sustainable over the balance of this century."

For one thing, they are starting from a teeny, tiny base. According to YPPA, advertisers spend only 1.3% of their national advertising dollars in the yellow pages. Something like 88% of the \$7.3 billion total yellow-pages industry revenue came from local advertisers. But to obtain more national advertising, says just about everybody, yellow-pages publishers will have to do the things other media have long done — at the very least, provide syndicated, third-party research.

It's perhaps not surprising that an association of publishers does not embrace book-to-book comparisons and, admittedly, some competition has gone away. Southwestern Bell pulled out of Manhattan, Chicago, and Florida; Donnelly out of Houston and Miami; Nynex out of Connecticut; and American Directories out of St. Louis.

Joseph argues, however, that 22 of the 50 largest markets are truly competitive in yellow pages, including eight of the top 10. "And when you put those 22 markets together, they represent 25% of the U.S. population. Advertisers and consumers still have a choice of alternative directories from which to select. The publishers have got to be wearing blinders."

According to Edward Schneck, senior vice president at Wahlstrom & Co., yellow-pages publishers have had trouble seeing the difference between their own custom studies and syndicated research. In the former, "they design the study. They control release of the data

NATIONAL YELLOW PAGES MONITOR Category Ranking Report

Top 10 References

Category	References Per Month	% of Total References
1 Restaurants	5,982,000	7.6%
2 Airlines	2,772,000	3.5%
3 Physicians & Surgeons	2,166,000	2.8%
4 Automotive Repair/Service	2,106,000	2.7%
5 Automotive Parts/Supplies	2,097,000	2.7%
6 Department Stores	1,743,000	2.2%
7 Pizza	1,583,000	2.0%
8 Banks and Savings & Loans	1,513,000	1.9%
9 Beauty Salons	1,457,000	1.9%
10 Insurance	1,447,000	1.8%

Top 10 Categories Resulting in a Contract

Category	% of Category References
1 Pizza	93%
2 Auto Tires	92%
3 Florists	91%
4 Toys/Ty Stores	88%
5 Automotive Parts/Supplies	88%
6 Hardware	88%
7 Locks/Locksmiths	87%
8 Theaters	87%
9 Department Stores	87%
10 Carpets & Rugs	86%

Data Based on NYPM Preliminary Results (January - June, 1988)
in the eight California Metro Markets

dations are short-sighted and self-serving. They represent the lack of industry commitment to the biggest need of advertisers and agencies."

A year ago, YPPA formed a task force to study syndicated research. The committee looked at a number of vendors, including National Yellow Pages Monitor, a division of NFO Research, San Francisco; ARC Syndicated Yellow Pages Services, a joint venture between Advertising Research Corp. and Elrick & Lavidge, Berkley Heights, N.J.; Directory Data, a division of Survey Sampling Inc., Fairfield, Conn.; Statistical Research, Westfield, N.J.; and others.

sider usage research where it is appropriate. To me that is no more than a glorified escape clause."

Blanche McGuire, vice president of marketing resources, Ketchum Yellow Pages, observes that while the task force did not recommend against book-to-book comparisons, "We continue to strongly support intramedia research in markets with strong competition. We're disappointed they didn't recommend it on an industry-wide basis."

Such reactions can't encourage these publishers hoping to up their national business (see the related story on pg. 59).

John Gaulding, president and chief

TOOLS OF THE TRADE

so we only see the good numbers. They tend to use the studies as promotional material, instead of releasing the data in report format for agencies like ourselves to analyze and use within the media plan itself."

J. Raymond Avedian, president and chief executive officer of YPPA, agrees, but says the situation is changing. In the not-too-distant past, "research only came up in a very narrowly-defined conversation and was not the kind of research we are contemplating." Now, Avedian adds, much of the industry understands that to be considered when advertisers are formulating media plans, "people have to have information to make intelligent decisions about our business."

Based on its research recommendations, the YPPA statement says, "The task force has concluded that two ven-

dor programs currently offer the best potential for further development." Avedian, on the advice of counsel, would not identify those vendors, but others suggest they are National Yellow Pages Monitor and ARC Syndicated Yellow Pages Services.

Directory Data, for one, feels they've been sandbagged. The research service has been collecting data book-to-book since October 1987. "We have completed 1988 data collection, with some 65,000 completed household [possession] interviews and recovered personal [directory-usage] interviews with 49,000 of those," says Matt Cone, an account executive. Directory Data says that it has invested over \$2.5 million in research that compares one book to another.

"Given recent public statements by leading publishers," said Directory Data, a vendor which was on the verge

of releasing its study of directory usage, "it is absolutely astounding to learn that the YPPA task force has recommended against book-to-book comparisons!"

While the publishers probably will not change their position too soon, the YPPA has established a standing research committee to address current and future research issues. The association has hired Ronald B. Kaatz, associate professor of advertising at Northwestern University's Medill School of Journalism and former director of media concepts at J. Walter Thompson USA, as an outside consultant. He is currently working with the association staff forming a blue-ribbon standing research committee which will address such critical items as syndicated research, expanded circulation data and response measurement. ■



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to revitalize
America's
economy.**

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the college of
your choice.**



A Public Service of The Ad Council

COLLEGE BOARD AND RED CROSS (CBA)

Somewhere
somebody needs
help.

Please support your local chapter.



American
Red Cross



ECONOMIC EYE

CABLE CONNECTION

Nielsen reports that U.S. cable penetration reached 54.8% in February, totaling 49.5 million households. Palm Springs has the highest cable penetration (86%), though New York City has the most cable tv households (3.4 million). Boise is the market with the lowest cable penetration — 37.6%.

MAGAZINE AD SCORECARD

	Ad Pages Feb. 1989	% change from Feb. 1988	Dollars spent (000)	% change from Feb. 1988
1. Skin care, Creams, Lotions and Oils	223.07	+5.8	8,787.6	+15.3
2. Lip and Eye Beauty Products	108.44	+1.3	4,597.1	+17.2
3. Scents and Fragrances	107.91	+40.1	3,271.1	+58.6
4. Facial Makeup Products	82.05	-19.7	3,055.8	-15.4
5. Prepared Dinners and Entrees (including pizzas)	28.73	-48.6	1,584.9	-55.4
6. Liquor	272.84	+26.7	12,587.4	+24.9
7. Cigarettes	634.21	+18.9	38,444.3	+28.1
8. Soaps and Detergents	28.34	-20.8	1,847.9	-18.0
9. Passenger Cars, Domestic	804.06	-1.7	31,906.6	-17.0
10. Passenger Cars, Imported	448.06	-35.4	24,082.9	-21.8

Source: Publishers Information Bureau as prepared by Leading National Advertisers.

MEDIA COST INDEX

1985 = 100

1988

	May	% change	June	% change	July	% change	Aug.	% change	Sept.	% change	Oct.	% change	Nov.	% change	Dec.	% change
Network TV																
Daytime	76	-18	73	-22	81	-17	73	-14	146	+60	82	-16	80	-14	73	-10
Nighttime	110	-0	122	+8	110	+0.3	118	+4	118	+11	114	-9	113	-2	109	-2
Spot TV																
Prime time	126	-8	125	-4	-	-	125	-8	141	+14	128	+8	104	+3	129	+5
Daytime	103	-13	93	-10	-	-	100	-14	107	+4	106	-6	102	-10	99	-6
Network radio	116	+2	116	+2	102	-0.5	111	+8	112	+5	131	+8	125	+10	119	+12
Spot radio	-	-	101	+3	-	-	-	-	105	+2	-	-	-	-	-	-
Consumer magazines	115	+5	115	+5	115	+5	114	+5	116	+8	115	+5	118	+6	119	+6
Natl. Sunday mags	116	+13	116	+13	116	+13	128	+14	130	+10	130	+10	130	+10	130	+10
Business publications	117	+5	117	+5	117	+5	117	+5	118	+6	118	+5	120	+6	120	+7
Newspapers	124	+7	124	+7	124	+7	124	+7	123	+7	124	+7	124	+7	124	+7
Outdoor	123	+8	123	+8	123	+8	123	+8	123	+8	113	-4	113	-4	113	-4

Notes: Percentage shown is relative change from the same month/period the year before.

*Revised

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.